

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, DC

In the Matter of	)	
	)	
Comprehensive Review of Universal	)	WC Dkt. No. 05-
195,		
Service Fund Management Administration	)	
and Oversight	)	
	)	
Federal State Joint Board on Universal	)	CC Dkt. No. 96-
45, Service	)	
	)	
Schools and Libraries Universal Service	)	CC Dkt. No. 02-
6,		
Support Mechanism	)	
	)	
Rural Health Care Support Mechanism	)	WC Dkt. No. 02-
60,		
	)	
Lifeline and Link Up	)	WC Dkt. No. 03-109,
	)	
Changes to the Board of Directors for the	)	CC Dkt. No. 97-
21.		
National Exchange Carrier Association Inc.	)	FCC 05-124

The Delaware Public Service Commission (“DE PSC”) submits these initial comments in response to the Notice of Proposed Rulemaking released

June 14, 2005 in the above captioned matter.<sup>1</sup>

The DE PSC recognizes that the Commission emphasized that the purpose of this proceeding is not to revisit underlying Universal Service Fund policies but to focus on improving the efficiencies of the presently existing federal USF programs.<sup>2</sup> Yet, the DE PSC believes that such an approach is akin to repairing the screens when the leaking roof is in danger of giving way. One can hardly be surprised that the Commission has now called for a comprehensive review of the mechanics of the federal USF fund: any federal program that has grown to nearly \$ 5.44 billion in disbursements by 2004 probably carries within its administration not only inefficiencies, but also instances of abuse.<sup>3</sup> Yet, the DE PSC believes that the better response to such eventualities is not to create more layers of paperwork and bureaucratic control over

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<sup>1</sup> *In the Matter of Comprehensive Review of Universal Service Fund Management, Administration and Oversight*, Notice of Proposed Rulemaking and Further Notice of Proposed Rulemaking (FCC rel. June 14, 2005) (“*Comprehensive Review NPRM*”).

<sup>2</sup> *Comprehensive Review NPRM* at ¶ 9 n. 20.

<sup>3</sup> *Trends in Telephone Service*, Table 19.1 at 19-5 (WCB, Industry Analysis & Technology Div. April 2005) (“*2005 Trends*”). In particular, the High Cost Universal Support component grew from \$1.7 billion in 1999 to \$3.49 billion by the year 2004. *Id.* Table 19-3 at 19-7.

disbursements but to make a very serious effort to constrain the burgeoning size of the Fund, and in particular its High Cost Universal Support component. Telecommunications subscribers in Delaware – as heavy “net payers” into the federal USF regime – will surely welcome any programmatic changes that will ensure that the “passed-through” USF charges they pay are being efficiently used to serve Universal Service goals. However, the DE PSC fears that unless the continual growth in the size of the USF fund is now halted, the ever-increasing contribution factors that subscribers are called upon to pay will soon burden, if not undermine, any ability of net-payer States, like Delaware, to respond to concerns at their own local level to maintain affordable telecommunications prices.

It is for this reason that the DE PSC joins in the following principles set forth in the comments filed by the New Jersey Board of Public Utilities on this date:

- The USF fund should not be used as a tool to bolster competition but should be sized in an amount sufficient to support those in need.
- The FCC should seriously consider moving away from a revenue based contribution policy to one that assesses

payments from numerous participants on a technology neutral basis.

- Lastly, the FCC should also develop a more reasonable distribution process that eliminates the current situation where an overwhelming majority of the states subsidize a small number of states through the high cost mechanism.

Although the State of New Jersey differs vastly in both population and relative size from small Delaware, the two jurisdictions share the same concerns as to the effect continued use of the current federal USF regime will have on net-payer States.

The burden that Delaware subscribers bear under the current federal mechanisms is not theoretical. Currently, Delaware end-users pay a 10.2% surcharge on the interstate portion of their telecommunications bills as every carrier passes through its required USF contribution factor. If history continues to repeat, 99.91 per cent of those monies paid by Delaware end-users will flow to provide USF support to companies and subscribers in other jurisdictions.<sup>4</sup> And in 2005, for the almost \$21 million in contributions that will likely be paid by Delaware

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<sup>4</sup> *Universal Service Monitoring Report, CC Dckt. No. 98-2002*, Table 1.12 at 1-38 (“Universal Service Support Mechanisms by State: 2003 (Annual Payments and Contributions)”) (Fed.-State Joint Bd. on Univ. Service in CC Dckt. No. 96-45 May 2004) (“*2004 Monitoring Report*”).

end-users as part of their interstate services bills,<sup>5</sup> Delaware will probably receive no more than \$270,000 in federal Lifeline/Link-up support,<sup>6</sup> \$685,000 in federal E-rate funds,<sup>7</sup> and \$266,000 in federal interstate access support.<sup>8</sup>

The DE PSC's plea is not for more funds from the USF programs. Rather, it is a call for the Commission to undertake a serious reappraisal to constrain the growth of the size of the USF fund – and the contribution levels passed on to Delaware subscribers. Unless something is done to limit the growth of the federal fund (and particularly its High Cost component), the line item USF contribution surcharges imposed on Delaware subscribers (which would pay for current federal disbursements to

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<sup>5</sup> *2004 Monitoring Report*, Table 1.12 at 1-38 (estimated 2003 Delaware contributions of \$20,893,000).

<sup>6</sup> *2005 Trends*, Table 19.11 at 19-16 (“Low Income Support Payments by State or Jurisdiction: 2004”). As a “federal default State,” Delaware ranked 50<sup>th</sup> among the 50 States in 2004 Low Income Support disbursements.

<sup>7</sup> *2005 Trends*, Table 19.13 at 19-18 (“Schools and Libraries Funding by State and by Type of Service; Funding Period: July 1, 2003 Through June 30, 2004”). In 2004, among the 50 States, Delaware ranked 50<sup>th</sup> in E-rate payments to its schools and libraries.

<sup>8</sup> *2005 Trends*, Table 19.4 at 19-8 (“High Cost Support Payments by State: 2004”). Delaware does not receive any other type of rural or non-rural High Cost support payments. Delaware was 49<sup>th</sup>, just above Rhode Island, in ranking for 2004 High Cost support payments.

Delaware almost 20 times over) will soon simply overwhelm any ability for Delaware to maintain – at the local level – affordable telecommunications prices (both basic and advanced) for its residents.

Respectfully submitted,

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Commission

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